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R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C.

FINANCIAL STATEMENT

DECEMBER 31, 1936.

MRB
CORP. FILE

Winston-Salem, N. C., January 14, 1937.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:—

The Financial Report of your Company, at the close of business December 31, 1936, is hereby submitted.

Net Profit from operations for the year 1936, after deducting all charges and expenses of management, advertising, etc.	$37,454,734.91	
ADD		
Interest and Dividends on investments	485,684.62	
Miscellaneous income, net	464,292.61	$38,404,712.14
LESS		
Allowance for Depreciation, Obsolescence, etc.	997,805.19	
Federal and State taxes on income	8,153,771.91	9,151,577.10
NET EARNINGS FOR YEAR		29,253,135.04
ADD		
Undivided Profits December 31, 1935		42,495,154.60
		71,748,289.64
DEDUCT		
Four quarterly dividends of seventy-five cents each per share		30,000,000.00
Total Undivided Profits December 31, 1936		$41,748,289.64

FINANCIAL STATEMENT
DECEMBER 31, 1936.

ASSETS

CURRENT			
Cash		$ 5,754,443.76	
Accounts Receivable (net) for merchandise sold		8,535,263.71	
Leaf Tobacco, Supplies, Manufactured Product	$117,529,465.91		
Less Reserve for contingent carrying charges	2,674,804.54	114,854,661.37	$129,144,368.84
OTHER ASSETS			
Real Estate, Buildings, Machinery, Fixtures		28,340,253.39	
Deduct Depreciation, Obsolescence, etc.	$ 12,457,647.90		
Less fully depreciated property written off during year, etc.	319,830.27	12,137,817.63	
		16,202,435.76	
Investments in Non-Competitive Companies, etc.		319,547.21	
Bills and Notes Receivable		12,403.46	
Other Accounts Receivable		552,021.30	
Brands, Trade-Marks, Good Will		1.00	
Prepaid Expenses		374,501.78	
Retirement & Insurance Investment Fund*		10,120,000.00	27,580,910.51
			$156,725,279.35

*Consisting of 200,000 shares of the Common Stock of the Company.

LIABILITIES

CURRENT		
Accounts Payable	$2,975,415.40	
Accrued Taxes and other Accrued Accounts	8,568,345.16	$11,543,760.56
RESERVES		
Contingencies and Retirement & Insurance Investment Fund		3,433,229.15
CAPITAL ACCOUNT		
Common Stock (1,000,000 shares of $10 par value)†	10,000,000.00	
New Class B Common Stock (9,000,000 shares of $10 par value)†	90,000,000.00	
Undivided Profits (after deduction of dividends payable January 2, 1937)	41,748,289.64	141,748,289.64
		$156,725,279.35

†Company's Charter authorizes 1,000,000 shares of Common and 13,000,000 shares of New Class B Common Stock.

R. D. SHORE, Treasurer.

R. J. REYNOLDS TOBACCO COMPANY:

We have made an examination of the financial statement of R. J. REYNOLDS TOBACCO COMPANY, WINSTON-SALEM, N. C., as at December 31, 1936, and of the income and undivided profits account for the year ended at that date. In connection therewith we examined or tested accounting records of the Company and other supporting evidence, and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Inventories of Leaf Tobacco, Supplies and Manufactured Product are valued at cost as in former years. The investments are carried at not above cost or market, whichever is lower.

In our opinion, based upon our examination, the accompanying financial statement and related income and undivided profits account, fairly present the financial position of the Company at December 31, 1936, and the results of operations for the year then ended. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles consistently maintained by the Company during the year under review.

ERNST & ERNST,
Certified Public Accountants.